California Department of Finance
September 2026

Finance Bulletin

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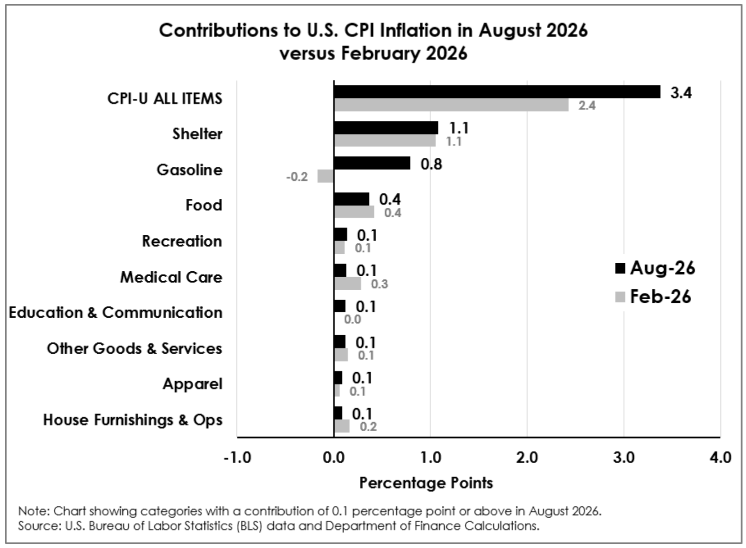
Economic Update



U.S. headline consumer price index (CPI) inflation remained at 3.4 percent year-over-year in August 2026, but was 0.5 percentage point higher than in August 2025 and 1 percentage point higher than in February 2026. U.S. core CPI inflation—which excludes food and energy prices—continued to inch down, slowing by 0.1 percentage point year-over-year from 2.5 percent in July to 2.4 percent in August. U.S. headline CPI inflation in August was driven mainly by shelter and gasoline, which contributed 1.1 percentage points and 0.8 percentage point, respectively. Gasoline price inflation accelerated from 24.6 percent year-over-year in July to 27.4 percent in August due to elevated tensions in the Middle East.

Outside of shelter and gasoline, food inflation had the next-largest contribution of 0.4 percentage point, while recreation, medical care, education and communication, other goods and services, apparel, and house furnishings and operations each contributed 0.1 percentage point. The full percentage point variance of August's headline CPI inflation from the February 2026 pre-Iran-war level was driven mainly by gasoline inflation, whose contribution increased from -0.2 percentage point in February to +0.8 percentage point in August.

LABOR MARKET CONDITIONS

- In August 2026, the U.S. unemployment rate remained at 4.1 percent for the second month in a row. The U.S. labor force increased by 683,000 persons (0.4 percent) as the number of employed increased by 569,000 persons (0.4 percent) and the number of unemployed increased by 115,000 persons (1.7 percent). The nation added 162,000 nonfarm payroll jobs in August. Nine sectors added jobs: leisure and hospitality (+62,000 jobs), government (+35,000 jobs), education and health services (+29,000 jobs), construction (+22,000 jobs), manufacturing (+16,000 jobs), trade, transportation, and utilities (+16,000 jobs), professional and business services (+10,000 jobs), mining and logging (+3,000 jobs), and other services (+3,000 jobs). Two sectors lost jobs: information (-23,000 jobs), and financial activities (-11,000 jobs).
- The unemployment rate in California remained unchanged at 5.1 percent in August 2026. The state's labor force fell by 50,500 persons (-0.3 percent), with civilian employment falling by 36,500 persons (-0.2 percent) and the number of unemployed Californians declining by 14,000 persons (-1.4 percent). The state added 39,400 jobs in August. Five sectors added jobs: private education and health services (+18,600 jobs), government (+9,800 jobs), leisure and hospitality (+7,800 jobs), trade, transportation, and utilities (+6,900), and manufacturing (+800 jobs). Six sectors lost jobs: professional and business services (-1,800 jobs), information (-900), financial activities (-700 jobs), construction (-600 jobs), other services (-400 jobs), and mining and logging (-100 jobs).

BUILDING ACTIVITY

- The statewide median sales price of existing single-family homes increased to $901,420 in August 2026, up 1.6 percent from $887,210 in July 2026 and up 0.1 percent from $900,620 in August 2025. Sales volume of existing single-family homes in California increased to 269,620 at a seasonally-adjusted annualized rate (SAAR) in August, up 2.4 percent from 263,320 in July 2026 and up 1.4 percent from 265,780 in August 2025.
- Year-to-date through July 2026, 113,400 total housing units (SAAR) were permitted in California, down 1.8 percent from the year-to-date through June 2026, but up 16.5 percent from the year-to-date through July 2025. The year-to-date through July consisted of 57,300 single-family units (down 1.6 percent from the year-to-date through June 2026 and down 0.8 percent from the year-to-date through July 2025) and 56,100 multi-family units (down 2.1 percent from the year-to-date through June but up 41.6 percent year-over-year from the year-to-date through July 2025).

MONTHLY CASH REPORT

Preliminary General Fund agency cash receipts were $1.5 billion, or 10.9 percent, above the 2026 Budget Act forecast in August. The August overage was driven by higher personal income tax withholding payments of $1.4 billion and higher "other revenues" of $143 million, slightly offset by lower pooled money interest of $174 million. For the second month, pooled money interest was below forecast due to an issue with the timely recording of receipts, which is expected to be offset in future months. Therefore, while pooled money interest is $458 million below forecast since April, most of that shortfall is due to timing. August is not a particularly important month for personal income and corporation taxes as there are no major payment due dates within the month. Cumulatively since April, preliminary General Fund agency cash receipts were $2.4 billion above projections, which includes an overage of $828 million attributed to cash collected during the 2025-26 fiscal year.

- Personal income tax cash receipts were $1.5 billion, or 17.6 percent, above forecast in August, and $1.4 billion, or 2.1 percent, above forecast cumulatively since the forecast was completed in April. The overage since April is due largely to withholding (+$2.3 billion), as well as higher estimated payments (+$449 million) and final payments (+$313 million), partly offset by lower other payments (-$824 million) and higher refunds (-$795 million).
- Corporation tax cash receipts were $56 million, or 18.5 percent, above forecast in August and $1.4 billion, or 6.5 percent, above forecast cumulatively since the forecast was completed in April. The overage since April is due to higher Pass-Through-Entity Elective Tax (PTET) payments (+$593 million), lower refunds (+$332 million), higher estimated payments of (+$327 million), and higher other payments (+$159 million).
- Preliminary sales and use tax receipts were $19 million, or 0.5 percent, above forecast in August and $503 million, or 3.3 percent, above forecast cumulatively since the forecast was completed in April.
- Other revenues were $143 million, or 201.9 percent, above forecast in August and $572 million, or 23.3 percent, below forecast cumulatively since the forecast was completed in April.

2026-27 Comparison of Actual and Forecast Agency General Fund Revenue (Dollars in Millions)

	August 2026				2026-27 YEAR TO DATE			
Revenue Source	**Forecast**	**Actual**	**Difference**	**Percent Difference**	**Forecast**	**Actual**	**Difference**	**Percent Difference**
Personal Income	**$8,363**	**$9,836**	**$1,473**	**17.6%**	**$17,230**	**$18,283**	**$1,053**	**6.1%**
Withholding	7,946	9,392	1,446	18.2%	16,510	17,582	1,072	6.5%
Estimated Payments	310	348	38	12.4%	701	938	237	33.8%
Final Payments	299	271	-28	-9.4%	610	607	-3	-0.5%
Other Payments	491	552	61	12.5%	970	770	-200	-20.7%
Refunds	-521	-541	-20	3.8%	-1,222	-1,257	-35	2.9%
BHSF Transfer	-150	-176	-26	17.6%	-309	-328	-19	6.1%
Corporation	**$305**	**$362**	**$56**	**18.5%**	**$1,322**	**$1,813**	**$490**	**37.1%**
Estimated Payments	209	334	125	60.2%	1,124	1,457	333	29.6%
PTET Payments	139	121	-18	-12.8%	260	306	47	18.0%
Other Payments	241	322	81	33.7%	566	609	43	7.7%
Refunds	-283	-415	-132	46.8%	-627	-560	67	-10.7%
Sales & Use	**$4,121**	**$4,140**	**$19**	**0.5%**	**$5,588**	**$5,681**	**$93**	**1.7%**
Insurance	**$835**	**$852**	**$17**	**2.0%**	**$895**	**$936**	**$40**	**4.5%**
Pooled Money Interest	**$242**	**$68**	**-$174**	**-71.9%**	**$448**	**$64**	**-$384**	**-85.8%**
Alcohol	**$32**	**$26**	**-$5**	**-17.3%**	**$75**	**$87**	**$12**	**16.1%**
Tobacco	**$3**	**$3**	**$0**	**-1.7%**	**$6**	**$6**	**$0**	**3.6%**
Other	**$71**	**$213**	**$143**	**201.9%**	**$160**	**$378**	**$218**	**135.9%**
Total	**$13,973**	**$15,500**	**$1,527**	**10.9%**	**$25,725**	**$27,247**	**$1,522**	**5.9%**

This is an agency cash report and the data may differ from the Controller's report to the extent that cash received by agencies has not yet been reported to the Controller. The personal income total includes Individual Shared Responsibility Penalty transfers. The forecast is from the 2026 Budget Act.